



Department of Economic and
Community Development

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Catherine H. Smith
Commissioner

***TESTIMONY PRESENTED TO THE FINANCE, REVENUE AND BONDING
COMMITTEE***

March 18, 2013

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Department of Economic and Community Development

Testimony in Opposition to Senate Bill No.1114

**AN ACT CONCERNING THE GOVERNING BOARD OF THE HARBOR POINT DISTRICT AND AN
EXPANSION OF TAX INCREMENTAL FINANCING**

Senator Fonfara, Representative Widlitz and distinguished members of the Finance, Revenue and Bonding Committee, I appreciate the opportunity to offer testimony in opposition to Senate Bill No. 1114, An Act Concerning the Governing Board of the Harbor Point District and an Expansion of Tax Incremental Financing.

By providing municipalities with new TIF authority, utilizing incremental state income tax and sales tax collections; expanding the existing statutory municipal TIF authority financed with incremental property tax revenue, adding municipal development projects as eligible projects; and enabling individual municipalities to capture state income tax and sales tax revenues, this legislation usurps authority and discretion currently exercised by the state through the Office of Policy and Management.

While DECD understands the desire of individual municipalities to expand their sources of revenue and, of course, their desire to bring economic development to their towns, this proposal would have both immediate and long-term negative effects on the revenues of the state, as well as other – presumably unintended – consequences.

The proposed legislation creates a circumstance where the state could, in effect, find itself bidding against itself for a specific project since it enables a potential bidding war between two Connecticut municipalities based on the same state revenue source. Further, it creates a circumstance where the state could find itself in a triangular negotiation with a company and a given municipality or even multiple municipalities, again based on the same state revenue source.

To the extent that municipalities did capture revenue currently funding the state budget, it would predictably impact the state's ability to provide funding for critical priorities such as education and school construction, as well as our ability to service the state's existing

and future debt. One wonders what effect considerations such as these might have on the state's bond rating.

None of this is in the interests of the state of Connecticut or its taxpayers, because it injects uncertainty, cost and complexity, where our efforts are organized around efficiency and agility.

Thank you again for the opportunity to present this testimony. I respectfully request the Committee remove section 2 through 4 from this bill.